

Message Text

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TAGS: AORG, OECD, NATO

SUBJECT: PENSION SCHEME FOR OECD AND NATO

REFS: (A) STATE 029454, (B) USNATO 719

1. MISSION HAS BEEN PROVIDED ADVANCE COPY OF THE COMMON POSITION OF THE SECRETARIES-GENERAL OF THE CO-ORDINATED ORGANIZATIONS ON THE 127TH REPORT OF THE CCG. TEXT AND PORTION OF ANNEX RELATING TO VALIDATION ISSUE ARE BEING QUOTED BELOW.

2. BEGIN QUOTE:

COMMON POSITION OF THE
SECRETARIES-GENERAL OF THE
CO-ORDINATED ORGANISATIONS
ON THE 127TH REPORT OF THE
CO-ORDINATING COMMITTEE OF
GOVERNMENT BUDGET EXPERTS

1. AT THE BEGINNING OF 1974 COUNCILS APPROVED THE 94TH REPORT OF THE CO-ORDINATING COMMITTEE LAYING DOWN THE PRINCIPLES OF A PENSION SCHEME COMMON TO THE CO-ORDINATED ORGANISATIONS. AT THE SAME TIME THEY INVITED THE CO-ORDINATING COMMITTEE TO WORK OUT DETAILED RULES FOR IMPLEMENTING THE SCHEME, AND TO EXAMINE CERTAIN QUESTIONS LEFT UNDECIDED. DESPITE THE TWO YEARS WHICH

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IT HAS DEVOTED TO THIS TASK, THE PENSION SCHEME RULES

WHICH THE CO-ORDINATING COMMITTEE HAS NOW SUBMITTED TO COUNCILS STILL RECORD A MINORITY POSITION ON AN ESSENTIAL POINT OF THE SCHEME AND A RESERVATION ON EACH OF THREE OTHER POINTS.

2. THE SECRETARIES-GENERAL WISH TO RECALL THAT, TAKING UP PROPOSALS MADE BY THE FRENCH DELEGATION, THEY HAD STRONGLY URGED THE ADOPTION OF A PENSION SCHEME EQUIVALENT TO THAT IN FORCE IN THE EUROPEAN COMMUNITIES. THIS REQUEST WAS SUPPORTED BY SEVERAL COUNTRIES AND THE PRINCIPLE OF IT HAS NEVER BEEN IN DISPUTE. THE NATIONAL EXPERTS OF THE WORKING PARTY ON PENSIONS BASED THEIR WORK ON IT TO A LARGE EXTENT, AND ALTHOUGH THE FINAL RECOMMENDATIONS OF THE CO-ORDINATING COMMITTEE IN ITS 94TH REPORT WERE FOR A SCHEME CONSIDERABLY LESS FAVOURABLE THAN THAT OF THE EUROPEAN COMMUNITIES IN CERTAIN RESPECTS, THEY WERE NONETHELESS ACCEPTED BY THE SECRETARIES-GENERAL AND APPROVED BY COUNCILS.

3. SINCE THAT TIME, AS THE WORK OF PREPARING THE RULES FOR THE PENSION SCHEME CONTINUED, THE GAP GRADUALLY WIDENED IN SEVERAL ESSENTIAL RESPECTS BETWEEN THE LEVEL OF BENEFITS PAID TO STAFF OF THE EUROPEAN COMMUNITIES AND THAT PROPOSED FOR THE STAFF OF THE CO-ORDINATED ORGANISATIONS. AMONG THESE POINTS OF DISCRIMINATION, NOT THE LEAST IMPORTANT WAS THAT OF TAX TREATMENT: AS THEY HAVE ALWAYS MADE CLEAR, THE SECRETARIES-GENERAL CONSIDER THAT THE NORMAL AND EQUITABLE WAY OF TAXING PENSIONS IS TO TREAT THEM IN THE SAME WAY AS SALARIES, IN ORDER ESPECIALLY TO PREVENT THE LEVEL OF PENSIONS BEING REDUCED BY A SYSTEM DESIGNED FOR THE OCCASION.

4. THE SECRETARIES-GENERAL THEREFORE CONSIDER THE GENERAL RESERVATIONS MADE BY CERTAIN DELEGATIONS IN PARAGRAPH 32 OF THE 127TH REPORT, WHICH TAKE ABSOLUTELY NO ACCOUNT OF THE CONSIDERATIONS ON THE BASIS OF WHICH THE PENSION SCHEME WAS PREPARED AND APPROVED BY COUNCILS, TO BE IRRELEVANT. IT MUST ALSO BE REMEMBERED THAT MOST OF THE ADVANTAGES REFERRED TO IN THAT PARAGRAPH ARE MERELY TRANSITORY AND THEREFORE OF LIMITED FINANCIAL

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VALUE.

5. THE SPECIFIC RESERVATIONS APPEARING IN THE 127TH REPORT HAVE FOR THE MOST PART BEEN RAISED IN RECENT MONTHS BY DELEGATES WHO APPEARED TO HAVE ACCEPTED, WITH ALL ITS CONSEQUENCES, THE SCHEME WHOSE RULES ARE SET OUT IN ANNEX I OF THE 127TH REPORT. THE SECRETARIES-GENERAL CANNOT EMPHASIZE TOO STRONGLY THAT THESE

RESERVATIONS ARE AN ATTACK ON THE ACTUAL BASIS OF THE
PENSION SCHEME, DISTORTING ITS INTENTIONS AND SERIOUSLY

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UNBALANCING IT. COUNCILS MUST BE AWARE OF THIS. FOR
FULLER INFORMATION THEY MAY REFER TO THE ATTACHED ANNEX
IN WHICH THE SECRETARIES-GENERAL HAVE SET OUT THEIR
POSITION ON EACH OF THE PROVISIONS OBJECTED TO.

6. THE STAFF, WHO HAVE BEEN WAITING FOR YEARS FOR A
PENSION SCHEME TO BE INTRODUCED, ARE UPSET AND JUSTI-
FIABLY ANXIOUS. THEY WOULD LOSE ALL CONFIDENCE IF
GOVERNMENTS WENT BACK ON PROVISIONS WHICH THEY WERE
QUITE ENTITLED TO BELIEVE HAD BEEN ADOPTED, AND WHICH
HAVE INDEED ALREADY BEGUN TO BE IMPLEMENTED IN SOME
ORGANISATIONS IN ACCORDANCE WITH DECISIONS OF THEIR
COUNCILS.

7. COUNCILS WILL UNDOUBTEDLY AGREE THAT THE PREPARATION
OF THE PENSION SCHEME RULES HAS GONE ON FOR TOO LONG
AND MUST NOW BE ENDED. THE PROPOSED RULES NEITHER
REFLECT THE INITIAL REQUESTS OF THE SECRETARIES-GENERAL
NOR FULLY MEET THE HOPES JUSTIFIABLY AROUSED AMONG
THEIR STAFF BY THE SPIRIT IN WHICH THE MEMBER COUNTRIES
ORIGINALLY APPROACHED THE QUESTION OF PENSIONS. THE

SECRETARIES-GENERAL ARE NONETHELESS RESIGNED TO ACCEPTING A COMPROMISE, AND THEY WOULD ACCORDINGLY, UNSATISFACTORY THOUGH IT APPEARS TO THEM TO BE, AGREE TO THE SCHEME AS IT STANDS, BUT ONLY AS A WHOLE. IF
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HOWEVER THE COMPROMISE WERE TO BE THROWN OFF BALANCE BY THE MAINTENANCE OF THE MINORITY POSITION ON CREDIT FOR PAST SERVICE, OR OF ONE OF THE RESERVATIONS ON THE THREE OTHER POINTS, IT WOULD THEN BE NECESSARY TO RE-OPEN THE WHOLE QUESTION WITH ALL THE DELAYS THAT THIS WOULD INVOLVE.

8. THE SECRETARIES-GENERAL WISH TO POINT OUT THAT THE SCHEME MAKES NO PROVISION FOR PAYMENT OF A SURVIVOR'S PENSION TO WIDOWERS, THE ARGUMENT INVOKED BY GOVERNMENTS BEING, AS IS RECALLED IN PARAGRAPH 15 OF THE 94TH REPORT, THAT NEITHER THE PENSION SCHEME OF THE EUROPEAN COMMUNITIES NOR THAT OF THE COUNCIL OF EUROPE HAS SUCH A PROVISION. THE SECRETARIES-GENERAL CONSIDER THAT IN THE LIGHT OF CURRENT TRENDS THE PAYMENT OF SUCH PENSIONS HAS ALREADY BECOME AN ESTABLISHED PRACTICE; AND THEY ACCORDINGLY RESERVE THE RIGHT TO ASK, WHEN IT BECOMES NECESSARY TO SUPPLEMENT THE PENSION SCHEME IN THIS RESPECT, THAT ANY FEMALE STAFF WHO HAVE OPTED FOR A PROVIDENT FUND MAY BE ALLOWED TO CHANGE THEIR OPTION.

9. TO CONCLUDE, THE SECRETARIES-GENERAL REQUEST COUNCILS TO APPROVE IN FULL THE PENSION SCHEME RULES FORMING ANNEX I TO THE 127TH REPORT.

PURCHASE OF CREDIT FOR PAST SERVICE
PARAGRAPHS 16 TO 24 AND ANNEX II

5. THE COST OF PURCHASING CREDIT FOR PAST SERVICE AS LAID DOWN IN PARAGRAPH 27 OF THE 94TH REPORT OF THE CO-ORDINATING COMMITTEE AND ARTICLE 44 OF THE DRAFT PENSION SCHEME RULES IN ANNEX I TO THE 127TH REPORT WAS FIXED AFTER VERY LONG DISCUSSION TO MEET THE TWO FOLLOWING CRITERIA:

(I) THAT THE COST OF BENEFITS UNDER THE PENSION SCHEME SHOULD BE UNIFORM FOR ALL STAFF OF THE CO-ORDINATED ORGANISATIONS, WHICH IMPLIED CALCULATING THE COST OF CREDIT FOR PAST SERVICE AS IF CONTRIBUTIONS TO THE PROPOSED PENSION SCHEME HAD BEEN PAID AT AN

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IDENTICAL RATE SINCE THE OUTSET;

(II) THAT ACCOUNT SHOULD BE TAKEN - SINCE
THIS COST WOULD BE MET OUT OF THE ASSETS OF
PROVIDENT FUNDS - OF THE WIDELY VARYING YIELDS
OF THOSE FUNDS FROM ONE ORGANISATION TO
ANOTHER. THIS MEANT THAT NO ALLOWANCE COULD
BE MADE FOR THE DIFFERENCES IN THE BALANCES
WHICH CERTAIN STAFF MEMBERS MIGHT RETAIN IN
THEIR INDIVIDUAL ACCOUNTS.

6. TO MEET THESE CONDITIONS, PARAGRAPH 27 OF THE 94TH
REPORT CAN BE IMPLEMENTED ONLY BY CALCULATING THE COST
OF CREDITING SERVICE IN THE CURRENCIES OF COUNTRIES
OF SERVICE FOR THE CORRESPONDING PERIODS OF SERVICE,
AT AN IDENTICAL RATE AND IN NOMINAL TERMS.

7. CERTAIN DELEGATES HAVE CALLED THESE PRINCIPLES

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BACK IN QUESTION IN AN ATTEMPT TO TAKE INTO ACCOUNT
EITHER THE SIZE OF THE BALANCE WHICH A STAFF MEMBER

MIGHT RETAIN AFTER CREDITING PAST SERVICE, OR THE DIFFERENCE IN THAT BALANCE DEPENDING ON WHETHER THE COST OF CREDITING SERVICE IS CALCULATED IN A CURRENCY THAT HAS BEEN DEVALUED OR REVALUED UPWARD.

8. THE SECRETARIES-GENERAL NOTE THAT THE ONLY FORMULA WHICH THOSE DELEGATES WERE FINALLY ABLE TO PROPOSE - WITHOUT INCIDENTALLY EXPLAINING IT IN DETAIL - WAS TO ADOPT THE NOTION OF SO-CALLED "REAL" TERMS REFERRED TO IN THE CONCLUDING PARAGRAPH OF ANNEX II TO THE REPORT.

9. IT WOULD BE IMPOSSIBLE IN PRACTICE TO IMPLEMENT SUCH A NOTION WITHOUT USING A STANDARD OR UNIT OF ACCOUNT THAT WAS INVARIABLE, WHICH WOULD AMOUNT TO INTRODUCING RETROACTIVELY INTO THE PROVIDENT FUNDS - TO THE DETRIMENT OF STAFF OPTING FOR A PENSION - AN EXCHANGE RATE GUARANTEE WHICH GOVERNMENTS HAVE CONSISTENTLY REFUSED TO CONSIDER.

10. THIS WOULD HAVE THE TWOFOLD CONSEQUENCE THAT STAFF OPTING FOR THE PENSION SCHEME WOULD BE JUSTIFIED IN INSISTING THAT THEIR CONTRIBUTIONS BE GUARANTEED AGAINST CURRENCY DEPRECIATIONS; WHILE THE PROVIDENT

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FUNDS, FOR THOSE STAFF MEMBERS WHO OPTED TO RETAIN THEM, WOULD ALSO HAVE TO BE COVERED BY AN EXCHANGE RATE GUARANTEE.

11. IF SUCH GUARANTEES WERE NOT GIVEN TO THE STAFF, THE FUNDAMENTAL CHANGE WHICH CERTAIN DELEGATIONS WOULD WISH TO SEE INTRODUCED IN THE METHOD OF CALCULATING THE COST OF CREDIT FOR PAST SERVICE WOULD OPEN THE WAY TO A SERIES OF APPEALS. END QUOTE.
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